

**GRAVES COUNTY SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

# GRAVES COUNTY SCHOOL DISTRICT

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**GRAVES COUNTY SCHOOL DISTRICT  
JUNE 30, 2018**

**BOARD OF EDUCATION**

Ronnie Holmes, Chairman  
Jim Wurth, Vice Chairman  
Kelly Whitaker, Member  
Julie Moffitt, Member  
Kevin Wiggins, Member

**ADMINISTRATIVE STAFF**

Kim Dublin, Superintendent  
Jimmilyn Hancock, Finance Director

SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA



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**DUGUID, GENTRY & ASSOCIATES, P.S.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Graves County School District  
Mayfield, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Graves County School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Graves County School District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 17 to the financial statements, during the year ended June 30, 2018, the Graves County School District adopted a new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB), which resulted in a restatement of the District's July 1, 2017 net position in the amount of (\$14,497,057). Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and postemployment benefits schedules on pages 4-14, 64-66 and 67-83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and combining and individual school activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, on our consideration of Graves County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Graves County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Graves County School District's internal control over financial reporting and compliance.

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

November 13, 2018



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

As management of the Graves County School District (the “District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The ending cash and investments balance for the District was \$3,423,783, as compared with the beginning cash balance of \$4,298,643. The ending cash and investments balance consists of General Fund of \$1,045,961, other governmental funds of \$412,869, Food Service Fund of \$1,239,809, Private Purpose Trust Fund of \$182,646 and School Activity Funds of \$542,498.
- Excluding interfund transfers, the General Fund had \$37,227,061 in revenue, which primarily consisted of the state program (SEEK) funds, property, utilities, motor vehicle and in lieu of taxes, and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues increased \$2,815,626 in comparison to prior year of \$34,411,435. Excluding interfund transfers, there were General Fund expenditures totaling \$38,183,860. This is an increase of \$2,956,379 compared to \$35,227,481 in General Fund expenditures for the prior year.
- During FY18, the District received \$16,453,179 in state Support Education Excellence in Kentucky (SEEK) funds, a reduction of \$748,434 from the previous year. This reduction is a result of a decline of 121.66 students in average daily attendance, and a \$50,968,643 increase in property assessments that netted an additional \$152,906 withholding at the state level for our 30-cent local effort.
- Property Tax Revenue collection rate was down 2% from FY17 resulting in \$300,602 less revenue than the previous year in property taxes.
- While transportation was once funded by the state at 100% of the District cost, the SEEK calculation in FY18 included transportation funding at only 57.3% of total cost. The District purchased 3 new buses with FY18 funds.
- The District expense for "matching" contributions to the Kentucky Teacher Retirement System (KTRS) for FY18 remained at 3.0% for all certified employees for a total General Fund District cost of \$483,592.
- Most classified employees contribute to County Employees Retirement System (CERS). The District expense for “matching” contributions for FY18 increased 2.4% from 18.68% in FY17 to 19.13% in FY18 for a total of \$1,076,162.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

- The financial statements reflect a total of \$12,245,560 of revenues and aid from the state for payments made by the state on-behalf of District employees for retirement contributions, health insurance, debt service and technology. A like amount of expenses is also recorded in the financial statements.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and deferred outflows of resources and the District’s liabilities and deferred inflows of resources – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- **Governmental activities** – All of the District’s basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of the activities.

**Fund financial statements** – The fund financial statements provide more detailed information about the District’s *funds*, focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District’s proprietary funds are food service and day care. The proprietary fund statements are the same as the business-type activities in the government-wide statements but provide more detail and additional information, such as cash flows.
- *Fiduciary funds* – The District is a fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of student activities funds and a private purpose trust fund. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 84.

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,292,341 as of June 30, 2018.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

A significant portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Following is a summary of the District’s government-wide net position as of June 30, 2018 and 2017:

**Net Position as of June 30, 2018 and 2017**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>						
Current assets and other assets	\$ 2,314,527	\$ 3,181,991	\$ 1,262,753	\$ 1,093,323	\$ 3,577,280	\$ 4,275,314
Capital assets	43,915,226	45,948,180	2,213,607	2,297,865	46,128,833	48,246,045
<b>Total assets</b>	<b>46,229,753</b>	<b>49,130,171</b>	<b>3,476,360</b>	<b>3,391,188</b>	<b>49,706,113</b>	<b>52,521,359</b>
<b>Deferred outflows of resources</b>	<b>5,704,815</b>	<b>3,377,376</b>	<b>1,057,761</b>	<b>617,018</b>	<b>6,762,576</b>	<b>3,994,394</b>
<b>Liabilities</b>						
Current liabilities	593,350	778,197	153,352	483	746,702	778,680
Noncurrent liabilities	49,710,378	34,870,749	3,148,221	1,980,847	52,858,599	36,851,596
<b>Total liabilities</b>	<b>50,303,728</b>	<b>35,648,946</b>	<b>3,301,573</b>	<b>1,981,330</b>	<b>53,605,301</b>	<b>37,630,276</b>
<b>Deferred inflows of resources</b>	<b>1,334,165</b>	<b>293,728</b>	<b>236,882</b>	<b>45,814</b>	<b>1,571,047</b>	<b>339,542</b>
<b>Net position</b>						
Investment in capital assets (net of debt)	21,450,941	21,259,167	2,213,607	2,297,865	23,664,548	23,557,032
Restricted	412,819	453,030	-	-	412,819	453,030
Unrestricted	(21,567,085)	(5,147,324)	(1,217,941)	(316,803)	(22,785,026)	(5,464,127)
<b>Total net position</b>	<b>\$ 296,675</b>	<b>\$ 16,564,873</b>	<b>\$ 995,666</b>	<b>\$ 1,981,062</b>	<b>\$ 1,292,341</b>	<b>\$ 18,545,935</b>

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**Change in net position.** The District’s governmental activities net position decreased by (\$16,268,198), which includes the prior period adjustment of (\$13,902,669) for the implementation of GASB 75 and (\$2,365,529) net loss from current year operations. The business-type activities net position decreased by (\$985,396), which includes the prior period adjustment of (\$594,388) for the implementation of GASB 75 and (\$391,008) net loss from current year operations.

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations for the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal and interest by the SFCC of \$992,258. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements.

The District’s financial position is the product of many factors. For example, the determination of the District’s investment in capital assets, net of related debt, involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

Following is a summary of changes in the District’s net position for the years ended June 30, 2018 and 2017:

**Changes in Net Position for the Fiscal Years Ended June 30, 2018 and 2017**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 429,513	\$ 271,157	\$ 429,513	\$ 271,157
Operating grants and contributions	14,871,787	12,062,165	2,738,142	2,751,861	17,609,929	14,814,026
Capital grants and contributions	992,258	996,499	-	-	992,258	996,499
General revenues:						
Property taxes	6,708,826	6,546,548	-	-	6,708,826	6,546,548
Other taxes	2,783,044	2,900,346	-	-	2,783,044	2,900,346
State aid	18,063,811	18,776,183	306,230	268,174	18,370,041	19,044,357
Investment earnings	64,820	32,748	21,895	5,959	86,715	38,707
Other	737,929	518,746	2,302	643	740,231	519,389
<b>Total revenues</b>	<b>44,222,475</b>	<b>41,833,235</b>	<b>3,498,082</b>	<b>3,297,794</b>	<b>47,720,557</b>	<b>45,131,029</b>
<b>Expenses:</b>						
Instruction	29,482,800	25,096,501	-	-	29,482,800	25,096,501
Support services:						
Student	2,975,813	2,619,463	-	-	2,975,813	2,619,463
Instructional support	1,850,700	2,053,426	-	-	1,850,700	2,053,426
District administration	1,378,615	1,268,341	-	-	1,378,615	1,268,341
School administration	2,527,350	2,271,392	-	-	2,527,350	2,271,392
Business support	633,652	416,617	-	-	633,652	416,617
Plant operations	3,527,616	3,769,024	-	-	3,527,616	3,769,024
Student transportation	3,142,717	2,838,711	-	-	3,142,717	2,838,711
Community services	427,284	421,207	-	-	427,284	421,207
Interest on long-term debt	759,661	796,608	-	-	759,661	796,608
Bond issuance costs	6,796	114,508	-	-	6,796	114,508
Day care	-	-	346,699	-	346,699	-
Food service	-	-	3,417,391	3,188,570	3,417,391	3,188,570
<b>Total expenses</b>	<b>46,713,004</b>	<b>41,665,798</b>	<b>3,764,090</b>	<b>3,188,570</b>	<b>50,477,094</b>	<b>44,854,368</b>
<b>Change in net position before transfers</b>	<b>(2,490,529)</b>	<b>167,437</b>	<b>(266,008)</b>	<b>109,224</b>	<b>(2,756,537)</b>	<b>276,661</b>
Transfers in (out)	125,000	15,263	(125,000)	(15,263)	-	-
<b>Change in net position after transfers</b>	<b>\$ (2,365,529)</b>	<b>\$ 182,700</b>	<b>\$ (391,008)</b>	<b>\$ 93,961</b>	<b>\$ (2,756,537)</b>	<b>\$ 276,661</b>

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, The District’s governmental funds reported combined ending fund balances of \$1,844,797, a decrease of \$834,498 in comparison to the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2018 and 2017.

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District’s activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state, and expenditures of those grants for specific programs in accordance with the grants’ guidelines.

The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term obligations.



**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

Following is a summary of fund balances as of June 30, 2018 and 2017:

**Governmental Funds Balances as of June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
<b>Governmental Funds</b>			
General Fund	\$ 1,431,978	\$ 2,226,265	\$ (794,287)
Construction Fund	213,691	235,200	(21,509)
Capital Outlay Fund	180,867	216,833	(35,966)
District Activity Fund	<u>18,261</u>	<u>997</u>	<u>17,264</u>
 Total governmental funds	 <u><u>\$ 1,844,797</u></u>	 <u><u>\$ 2,679,295</u></u>	 <u><u>\$ (834,498)</u></u>

**General Fund** – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund is \$1,282,978, while total fund balance reached \$1,844,797. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 3.36% of the total General Fund expenditures, while total fund balance represents 3.75% of that same amount.

During the current fiscal year, the total fund balance of the General Fund decreased by \$794,287. Revenues, transfers in and proceeds from disposal of fixed assets totaling \$37,479,230 increased \$2,989,100, while expenditures and transfers out totaling \$38,273,517 increased \$2,961,424.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the budgets of the District’s funds are prepared to account for most transactions on a cash receipt/cash disbursement basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2% contingency. The District adopted a General Fund budget with a contingency of 3.90%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by DOE.

The note accompanying the Budgetary Comparison Schedules in the Required Supplementary Information, indicates the General Fund budget included \$10,986,929 of state payments on-behalf of District employees for retirement and health benefits, technology and debt service. These payments are reflected as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2018, excluding interfund transfers and beginning balances, were \$37,227,061 compared to the total budgeted revenues of \$34,269,517.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2018, excluding interfund transfers, were \$38,183,860 compared to the total budgeted expenditures of \$36,202,354.

Significant Board action that impacts the finances includes no salary increase for District employees, staffing reductions, reduction in bus purchases, elimination of textbook purchases and limiting facility improvements and major purchases throughout the District.

Fund 2 is made up of state, local and federal grants. These grants include Title programs, IDEA B special education and preschool funding, Flex Focus state dollars and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, programming costs and travel and training costs.

Funds 310 and 320 are restricted funds for capital projects. The District has used those funds for debt service payments. The State contributes to those funds.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – At June 30, 2018, the District had \$46,128,834 invested in capital assets net of depreciation: historical cost totaled \$76,194,936 with accumulated depreciation totaling \$30,066,102. These assets include school, athletic and support facilities, as well as technology, food service and other equipment. Funds in the amount of \$326,043 were expended on acquisition and improvements during the year. Depreciation charged to expense during the year totaled \$2,459,754, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

Following is a summary of capital assets, net of depreciation, as of June 30, 2018 and 2017:

**Net Capital Assets as of June 30, 2018 and 2017**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land	\$ 1,482,708	\$ 1,473,208	\$ -	\$ -	\$ 1,482,708	\$ 1,473,208
Construction in progress	7,000	-	-	-	7,000	-
Buildings and improvements	31,632,071	32,693,029	2,034,967	2,082,420	33,667,038	34,775,449
Land improvements	76,668	84,872	-	-	76,668	84,872
Technology equipment	(10,627)	3,075	1,567	1,567	(9,060)	4,642
Vehicles	1,644,874	1,732,944	-	-	1,644,874	1,732,944
General equipment	8,993,574	9,858,102	177,073	213,878	9,170,647	10,071,980
Infrastructure	54,558	59,950	-	-	54,558	59,950
Property under capital lease	34,400	43,000	-	-	34,400	43,000
	<u>\$ 43,915,226</u>	<u>\$ 45,948,180</u>	<u>\$ 2,213,607</u>	<u>\$ 2,297,865</u>	<u>\$ 46,128,833</u>	<u>\$ 48,246,045</u>

**Long-Term Debt** – The District’s long-term general obligation bonds outstanding at June 30, 2018 were \$22,555,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$7,986,968 of the bonds leaving the District to pay \$14,568,032. The liability for compensated absences remained steady for the fiscal year. Other long-term obligations, mostly leases on buses and office equipment, will decrease as the leases are paid down.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 4 to the financial statements.

**OUTLOOK FOR THE FUTURE**

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding. A factor in that SEEK formula is base funding driven by average daily attendance, and the District faces the challenges of a declining population linked to the struggling local economy.

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. Though local property assessments continue to rise, the SEEK reduction based upon the required 30-cent local levy on those assessments and our low property tax rate – currently 13th lowest in the state – have produced little significant, additional revenue on which the District can strengthen its financial position substantially.

**GRAVES COUNTY SCHOOL DISTRICT – MAYFIELD, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation, effectively managing our grant resources, controlling expenditures and seeking new sources of revenues. The District has several critical facility needs that exceed its short-term bonding potential, providing a challenge to maintain quality facilities with available resources. The Superintendent and Finance Officer work with the members of the Board to insure there are controlled expenditures for capital outlay that may arise without causing a decrease to the funding for the education and safety of our students.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations and demonstrate the District’s commitment to public accountability. Questions regarding this report should be directed to Kim Dublin, Superintendent, (270.328.1554) or to Jimmilyn Hancock, Finance Officer, (270.328.1544) or by mail at 2290 State Route 121 North, Mayfield, KY 42066.

## **GOVERNMENT – WIDE FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,458,830	\$ 1,239,809	\$ 2,698,639
Accounts receivable:			
Taxes	263,806	-	263,806
Other	96,749	348	97,097
Intergovernmental - state	8,950	-	8,950
Intergovernmental - indirect federal	332,840	-	332,840
Interfund receivable	153,352	-	153,352
Inventory	-	22,596	22,596
Capital assets:			
Non-depreciable	1,489,708	-	1,489,708
Depreciable (net)	42,425,518	2,213,607	44,639,125
 Total assets	 46,229,753	 3,476,360	 49,706,113
<b>Deferred Outflows of Resources</b>			
Deferred pension and postemployment benefits	5,282,985	1,057,761	6,340,746
Deferred amount on debt refundings	421,830	-	421,830
 Total deferred outflows of resources	 5,704,815	 1,057,761	 6,762,576
<b>Liabilities</b>			
Interfund payable	-	153,352	153,352
Accounts payable	82,648	-	82,648
Unearned revenue	359,888	-	359,888
Accrued interest	150,814	-	150,814
Noncurrent obligations			
Portion due or payable within one year:			
Bonds payable	2,300,000	-	2,300,000
Claims	137,463	-	137,463
Portion due or payable after one year			
Bonds payable	20,164,285	-	20,164,285
Compensated absences	334,459	44,583	379,042
Net pension and postemployment benefits liabilities	26,774,171	3,103,638	29,877,809
 Total liabilities	 50,303,728	 3,301,573	 53,605,301
<b>Deferred Inflows of Resources</b>			
Deferred pension and postemployment benefits	1,334,165	236,882	1,571,047
 Total deferred inflows of resources	 1,334,165	 236,882	 1,571,047
<b>Net Position</b>			
Invested in capital assets, net of related debt	21,450,941	2,213,607	23,664,548
Restricted	412,819	-	412,819
Unrestricted	(21,567,085)	(1,217,941)	(22,785,026)
 Total net position	 \$ 296,675	 \$ 995,666	 \$ 1,292,341

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Program Revenues				Net (Expenses) Revenues
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<b>Governmental Activities:</b>					
<b>Current:</b>					
Instruction	\$ 29,482,800	\$ -	\$ 10,571,866	\$ -	\$ (18,910,934)
Support services:					
Student	2,975,813	-	1,123,250	-	(1,852,563)
Instructional staff	1,850,700	-	913,056	-	(937,644)
District administration	1,378,615	-	178,607	-	(1,200,008)
School administration	2,527,350	-	840,300	-	(1,687,050)
Business	633,652	-	114,744	-	(518,908)
Plant operation and maintenance	3,527,616	-	270,960	-	(3,256,656)
Student transportation	3,142,717	-	442,775	-	(2,699,942)
Community service activities	427,284	-	416,229	-	(11,055)
Facilities acquisition and construction	6,796	-	-	-	(6,796)
Interest on long-term debt	759,661	-	-	992,258	232,597
<b>Total governmental activities</b>	<b>46,713,004</b>	<b>-</b>	<b>14,871,787</b>	<b>992,258</b>	<b>(30,848,959)</b>
<b>Business-Type Activities:</b>					
Food service	3,417,391	256,267	2,731,900	-	(429,224)
Day care services	346,699	173,246	6,242	-	(167,211)
<b>Total business-type activities</b>	<b>3,764,090</b>	<b>429,513</b>	<b>2,738,142</b>	<b>-</b>	<b>(596,435)</b>
<b>Total activities</b>	<b>\$ 50,477,094</b>	<b>\$ 429,513</b>	<b>\$ 17,609,929</b>	<b>\$ 992,258</b>	<b>\$ (31,445,394)</b>
			<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Changes in Net Position</b>					
Net revenues (expenses)			\$ (30,848,959)	\$ (596,435)	\$ (31,445,394)
<b>General Revenues</b>					
Taxes:					
Property			6,708,826	-	6,708,826
Motor vehicle			955,690	-	955,690
Utilities			1,568,227	-	1,568,227
Other			259,127	-	259,127
Investment earnings			64,820	21,895	86,715
State aid and formula grants			18,063,811	306,230	18,370,041
Gain (loss) on sale of fixed assets			95,534	-	95,534
Miscellaneous			642,395	2,302	644,697
<b>Total general revenues</b>			<b>28,358,430</b>	<b>330,427</b>	<b>28,688,857</b>
<b>Change in net position</b>			<b>(2,490,529)</b>	<b>(266,008)</b>	<b>(2,756,537)</b>
Transfers in (out)			125,000	(125,000)	-
<b>Change in net position after transfers</b>			<b>(2,365,529)</b>	<b>(391,008)</b>	<b>(2,756,537)</b>
<b>Net position, July 1, 2017</b>			<b>16,564,873</b>	<b>1,981,062</b>	<b>18,545,935</b>
Implementation of GASB 75 (Note 17)			(13,902,669)	(594,388)	(14,497,057)
<b>Net position, July 1, 2017, restated</b>			<b>2,662,204</b>	<b>1,386,674</b>	<b>4,048,878</b>
<b>Net position, June 30, 2018</b>			<b>\$ 296,675</b>	<b>\$ 995,666</b>	<b>\$ 1,292,341</b>

See accompanying notes to financial statements

## **GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**



**GRAVES COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,045,961	\$ -	\$ 412,869	\$ 1,458,830
Accounts receivable:				
Taxes	263,806	-	-	263,806
Other	96,749	-	-	96,749
Interfund receivable	245,523			245,523
Intergovernmental - state	-	8,950	-	8,950
Intergovernmental - indirect federal	-	332,840	-	332,840
	<u>\$ 1,652,039</u>	<u>\$ 341,790</u>	<u>\$ 412,869</u>	<u>\$ 2,406,698</u>
Total assets				
	<u>\$ 1,652,039</u>	<u>\$ 341,790</u>	<u>\$ 412,869</u>	<u>\$ 2,406,698</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 82,598	\$ -	\$ 50	\$ 82,648
Interfund payable	-	92,171	-	92,171
Claims	137,463	-	-	137,463
Unearned revenue	-	249,619	-	249,619
	<u>220,061</u>	<u>341,790</u>	<u>50</u>	<u>561,901</u>
Total liabilities				
	<u>220,061</u>	<u>341,790</u>	<u>50</u>	<u>561,901</u>
Fund balances				
Nonspendable	-	-	-	-
Spendable:				
Restricted	-	-	412,819	412,819
Committed	149,000	-	-	149,000
Assigned	-	-	-	-
Unassigned	1,282,978	-	-	1,282,978
	<u>1,431,978</u>	<u>-</u>	<u>412,819</u>	<u>1,844,797</u>
Total fund balances				
	<u>1,431,978</u>	<u>-</u>	<u>412,819</u>	<u>1,844,797</u>
Total liabilities and fund balances	<u>\$ 1,652,039</u>	<u>\$ 341,790</u>	<u>\$ 412,869</u>	<u>\$ 2,406,698</u>

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Total fund balance per fund financial statements			\$ 1,844,797
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$72,130,456, and the accumulated depreciation is \$28,215,230.			43,915,226
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources.			421,830
Advance payments received from the Murray Head Start program for building and equipment costs are not due and payable in the current period and, therefore, are not reported as liabilities in the funds, but are reported as unearned revenue in the statement of net position.			(110,269)
Pension and postemployment benefits related items:			
Deferred outflow of resources			5,282,985
Deferred inflow of resources			(1,334,165)
Unfunded pension and postemployment benefits liabilities			(26,774,171)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:			
Bond obligations		\$ (22,464,285)	
Accrued interest on bonds		(150,814)	
Noncurrent portion of accumulated sick leave		(334,459)	(22,949,558)
Net position for governmental activities			<u>\$ 296,675</u>

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 5,821,442	\$ -	\$ 887,384	\$ 6,708,826
Motor vehicle	955,690	-	-	955,690
Utilities	1,568,227	-	-	1,568,227
Other	259,127	-	-	259,127
Student activities	21,685	-	4,500	26,185
Earnings on investments	60,533	-	4,287	64,820
Other local revenues	568,548	12,843	34,819	616,210
Intergovernmental - state	27,577,440	1,762,176	1,995,572	31,335,188
Intergovernmental - indirect federal	394,369	-	-	394,369
Intergovernmental - federal	-	2,198,299	-	2,198,299
<b>Total revenues</b>	<b>37,227,061</b>	<b>3,973,318</b>	<b>2,926,562</b>	<b>44,126,941</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	23,237,595	2,575,305	23,498	25,836,398
Support services:				
Student	2,889,615	100,159	-	2,989,774
Instructional staff	1,004,480	831,508	-	1,835,988
District administration	1,415,214	383	-	1,415,597
School administration	2,520,280	-	-	2,520,280
Business	625,025	7,909	-	632,934
Plant operation and maintenance	3,498,682	-	(1,443)	3,497,239
Student transportation	2,989,489	92,400	-	3,081,889
Community service activities	3,480	423,676	-	427,156
Building improvements	-	-	25,796	25,796
Debt service	-	-	2,918,922	2,918,922
<b>Total expenditures</b>	<b>38,183,860</b>	<b>4,031,340</b>	<b>2,966,773</b>	<b>45,181,973</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(956,799)</b>	<b>(58,022)</b>	<b>(40,211)</b>	<b>(1,055,032)</b>
<b>Other financing sources (uses)</b>				
Proceeds from disposal of fixed assets	95,534	-	-	95,534
Operating transfers in	156,635	89,657	2,144,741	2,391,033
Operating transfers out	(89,657)	(31,635)	(2,144,741)	(2,266,033)
<b>Total other financing sources (uses)</b>	<b>162,512</b>	<b>58,022</b>	<b>-</b>	<b>220,534</b>
<b>Net changes in fund balances</b>	<b>(794,287)</b>	<b>-</b>	<b>(40,211)</b>	<b>(834,498)</b>
<b>Fund balances, July 1, 2017</b>	<b>2,226,265</b>	<b>-</b>	<b>453,030</b>	<b>2,679,295</b>
<b>Fund balances, June 30, 2018</b>	<b>\$ 1,431,978</b>	<b>\$ -</b>	<b>\$ 412,819</b>	<b>\$ 1,844,797</b>

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Net change in total fund balances per fund financial statements \$ (834,498)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay	\$ 342,543	
Depreciation expense	<u>(2,375,497)</u>	(2,032,954)

In the statement of activities, only the gain (loss) on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining book value of the asset sold.

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Advance payments received in prior year from the Murray Head Start program are recorded as unearned revenue.

7,310

Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the governmental funds financial statements but is a reduction of the liability in the statement of net position.

Bond payments	2,230,000
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Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:

Deferred pension and postemployment benefits amounts	(1,725,498)	
Amortization of bond discount	(5,997)	
Amortization of gain/loss on debt refunding	(72,575)	
Amortization of bond premium	725	
Decrease in accrued interest payable	7,108	
Decrease in compensated absences	<u>60,850</u>	<u>(1,735,387)</u>

Change in net position of governmental activities	<u><u>\$ (2,365,529)</u></u>
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See accompanying notes to financial statements

## **PROPRIETARY FUNDS FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	School Food Service Fund	Day Care Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,239,809	\$ -	\$ 1,239,809
Accounts receivable	348	-	348
Inventory	22,596	-	22,596
Total current assets	1,262,753	-	1,262,753
Noncurrent assets			
Capital assets	4,064,480	-	4,064,480
Less: accumulated depreciation	(1,850,873)	-	(1,850,873)
Total noncurrent assets	2,213,607	-	2,213,607
Total assets	3,476,360	-	3,476,360
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension and postemployment benefits	1,057,761	-	1,057,761
Total deferred outflows of resources	1,057,761	-	1,057,761
<b>LIABILITIES</b>			
Current liabilities			
Interfund payable	-	153,352	153,352
Total current liabilities	-	153,352	153,352
Noncurrent liabilities			
Compensated absences	44,583	-	44,583
Net pension and postemployment benefits liabilities	3,103,638	-	3,103,638
Total noncurrent liabilities	3,148,221	-	3,148,221
Total liabilities	3,148,221	153,352	3,301,573
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension and postemployment benefits	236,882	-	236,882
Total deferred inflows of resources	236,882	-	236,882
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,213,607	-	2,213,607
Unrestricted	(1,064,589)	(153,352)	(1,217,941)
Total net position	\$ 1,149,018	\$ (153,352)	\$ 995,666

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	School Food Service Fund	Day Care Fund	Total
<b>OPERATING REVENUES</b>			
Lunchroom sales	\$ 256,267	\$ -	\$ 256,267
Childcare fees	-	135,654	135,654
Other revenue	2,302	37,592	39,894
<b>Total operating revenues</b>	<u>258,569</u>	<u>173,246</u>	<u>431,815</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	1,765,497	292,998	2,058,495
Materials and supplies	1,551,979	50,987	1,602,966
Depreciation	84,257	-	84,257
Contract services	9,072	2,714	11,786
Other operating expenses	6,586	-	6,586
<b>Total operating expenses</b>	<u>3,417,391</u>	<u>346,699</u>	<u>3,764,090</u>
<b>Operating income (loss)</b>	<u>(3,158,822)</u>	<u>(173,453)</u>	<u>(3,332,275)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Federal grants	2,525,341	6,242	2,531,583
Donated commodities	206,559	-	206,559
State grants	25,998	13,859	39,857
State on-behalf payments	266,373	-	266,373
Operating transfers (out)	(125,000)	-	(125,000)
Interest income	21,895	-	21,895
<b>Total non-operating revenues (expenses)</b>	<u>2,921,166</u>	<u>20,101</u>	<u>2,941,267</u>
<b>Change in net position</b>	<u>(237,656)</u>	<u>(153,352)</u>	<u>(391,008)</u>
<b>Net position, July 1, 2017</b>	1,981,062	-	1,981,062
Implementation of GASB 75 (Note 17)	(594,388)	-	(594,388)
<b>Net position, July 1, 2017, restated</b>	<u>1,386,674</u>	<u>-</u>	<u>1,386,674</u>
<b>Net position, June 30, 2018</b>	<u>\$ 1,149,018</u>	<u>\$ (153,352)</u>	<u>\$ 995,666</u>

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	School Fund Service Fund	Day Care Fund	Total
<b>Cash flows from operating activities</b>			
Cash received from:			
Lunchroom sales	\$ 257,655	\$ -	\$ 257,655
Childcare fees		135,654	135,654
Other activities	2,302	37,592	39,894
Cash paid to/for:			
Employees	(1,175,811)	(292,998)	(1,468,809)
Supplies	(1,337,052)	(50,987)	(1,388,039)
Other activities	(15,659)	(2,714)	(18,373)
<b>Net cash provided (used) by operating activities</b>	<u>(2,268,565)</u>	<u>(173,453)</u>	<u>(2,442,018)</u>
<b>Cash flows from noncapital financing activities</b>			
Operating transfers in (out)	(125,000)	-	(125,000)
Interfund payable		153,352	153,352
Government grants	2,551,339	20,101	2,571,440
<b>Net cash provided (used) by noncapital financing activities</b>	<u>2,426,339</u>	<u>173,453</u>	<u>2,599,792</u>
<b>Cash flows from investing activities</b>			
Receipt of interest income	21,895	-	21,895
<b>Net cash provided (used) by investing activities</b>	<u>21,895</u>	<u>-</u>	<u>21,895</u>
Net increase (decrease) in cash and cash equivalents	179,669	-	179,669
Balances, beginning of year	1,060,140	-	1,060,140
Balances, end of year	<u>\$ 1,239,809</u>	<u>\$ -</u>	<u>\$ 1,239,809</u>

See accompanying notes to financial statements



**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS, continued  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	School Fund Service Fund	Day Care Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (3,158,822)	\$ (173,453)	\$ (3,332,275)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>			
Depreciation	84,257	-	84,257
Donated commodities	206,559	-	206,559
State on-behalf payments	266,373	-	266,373
Changes in assets and liabilities:			
Deferred pension and postemployment benefits amounts	297,226	-	297,226
Accounts receivable	1,388	-	1,388
Inventory	8,851	-	8,851
Compensated absences	26,087	-	26,087
Accounts payable	(484)	-	(484)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (2,268,565)</u></u>	<u><u>\$ (173,453)</u></u>	<u><u>\$ (2,442,018)</u></u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	\$ 206,559	\$ -	\$ 206,559
On-behalf payments	266,373	-	266,373

See accompanying notes to financial statements

## **FIDUCIARY FUNDS FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018**

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 182,646	\$ 542,498
Total assets	<u>182,646</u>	<u>542,498</u>
<b>LIABILITIES</b>		
Accounts payable	-	-
Due to grantors	-	-
Due to student groups	<u>-</u>	<u>542,498</u>
Total liabilities	<u>-</u>	<u>542,498</u>
<b>NET POSITION</b>	<u><u>\$ 182,646</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Private Purpose Trust Funds
	<hr/>
<b>Additions:</b>	
Contributions received	\$ 122,566
Miscellaneous revenue	<hr/> 1,624
<b>Total additions</b>	<hr/> 124,190
<b>Deductions:</b>	
Community services	<hr/> 126,308
<b>Total deductions</b>	<hr/> 126,308
<b>Change in net position</b>	(2,118)
<b>Net position, July 1, 2017</b>	<hr/> 184,764
<b>Net position, June 30, 2018</b>	<hr/> <hr/> \$ 182,646

See accompanying notes to financial statements

## **NOTES TO FINANCIAL STATEMENTS**

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Graves County School District (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Graves County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not a component unit of any other governmental "reporting entity". Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the District, have not originated within the District itself such as band boosters, parent-teacher associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. The Board authorized the establishment of the Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Graves County School District also comprise the Corporation's Board of Directors.

Basis of Presentation

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Interfund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recorded when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, state and county grants and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues or expenditures comprise at least 10% of total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

**Governmental Funds**

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The *General Fund* is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

The *Special Revenue (Grant) Fund* includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The *Special Revenue District Activity Fund* includes funds restricted to expenditures for purposes specified by Redbook requirements. Project accounting is employed to maintain integrity for the various sources of funds.

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan.

The *Facility Support Program of Kentucky Fund (FSPK)* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.

**Proprietary Funds**

Proprietary funds are used to account for ongoing organizations and activities which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The funds' principal operating revenues are food service charges and day care fees. Operating expenses include salaries, benefits, supplies and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two proprietary funds:



**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

The *Child Care Fund* accounts for the day care operations of the District.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

*Agency Funds* account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *Uniform Program of Accounting for School Activity Funds*. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenue Recognition

Revenues – Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. “Available” means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means expected to be received within 60 days after year-end.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses and changes in net position as an expense and as a donated commodities revenue (nonoperating revenue).

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2018, to finance the General Fund operations were \$.423 per \$100 valuation for real property, \$.423 per \$100 valuation for business tangible personal property, and \$.464 per \$100 valuation for motor vehicles.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water and natural, artificial and mixed gas.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of certain financial statement balances. Actual results could vary from those estimates.

Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2018. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities and Equity

**Cash and Cash Equivalents**

The District considers demand deposits, money market funds, and time deposits that are nonnegotiable, to be cash and cash equivalents, for governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statements of cash flows.

**Investments**

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITs), derivatives, and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments, for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Commingled assets that are not traded on a national exchange are valued by the commingled manager. The District had no assets that met these criteria at June 30, 2018.

**GRAVES COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Prepaid Expenditures**

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

**Inventories**

Inventories are valued at cost, which approximates market. The Food Service Fund uses the specific identification method and the General Fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

**Restricted Assets**

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3).

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances.

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the value of the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

<u>Description</u>	<u>Estimated Lives for Depreciation</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
General equipment	10-20 years

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Debt Premiums and Discounts**

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

**Compensated Absences**

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Pensions and Postemployment Benefits

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, OPEB and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and Teacher’s Retirement System of the State of Kentucky (“KTRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category: the deferred outflows of resources relate to the net pension liability described in Note 10, the OPEB liability described in Note 11 and the deferred amount on refunding of debt described in Note 4.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category: the deferred inflows of resources relate to the net pension liability as described in Note 10 and the OPEB liability described in Note 11.

Fund Balances

In the fund financial statements, governmental fund balances are classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education’s formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or Management. The Board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

In governmental funds, when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed, assigned and then unassigned fund balances.

**Net Position**

Net positions represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

**Subsequent Events**

Subsequent events have been evaluated through November 13, 2018, which is the date the financial statements were available to be issued.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

As fiscal year end, the carrying amount of the District's deposits was \$3,423,783 and the bank balance was \$4,114,834. Of the District's bank balance, \$3,614,834 was collateralized as discussed above because it was uninsured, while \$500,000 was covered by Federal Deposit Insurance.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2 –CASH AND CASH EQUIVALENTS, continued**

The carrying amounts are reflected in the financial statements as follows:

Reconciliation to Government-wide Statement of Net Position:

Unrestricted cash	\$ 2,698,639
Fiduciary fund cash (not included in government-wide statement)	<u>725,144</u>
	<u><u>\$ 3,423,783</u></u>

These amounts are reported in the financial statements as follows:

Governmental activities	\$ 1,458,830
Business-type activities	1,239,809
Fiduciary funds	<u>725,144</u>
	<u><u>\$ 3,423,783</u></u>



**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 – CAPITAL ASSETS**

Capital Asset activity for the fiscal year ended June 30, 2018, was as follows:

<b>Governmental Activities</b>	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>
Capital assets not depreciated:				
Land	\$ 1,473,208	\$ 9,500	\$ -	\$ 1,482,708
Construction in progress	-	7,000	-	7,000
Total nondepreciable historical cost	1,473,208	16,500	-	1,489,708
Capital assets depreciated:				
Building and improvements	50,085,308	9,500	-	50,094,808
Land improvements	164,075	-	-	164,075
Technology equipment	612,091	-	15,977	596,114
Vehicles	6,444,093	309,625	132,800	6,620,918
General equipment	12,568,444	6,918	107,699	12,467,663
Infrastructure	107,843	-	-	107,843
Property under capital lease	589,327	-	-	589,327
Total depreciable historical cost	70,571,181	326,043	256,476	70,640,748
Less: accumulated depreciation				
Building and improvements	17,392,279	1,070,458	-	18,462,737
Land improvements	79,203	8,204	-	87,407
Technology equipment	609,016	13,702	15,977	606,741
Vehicles	4,711,149	397,695	132,800	4,976,044
General equipment	2,710,342	871,446	107,699	3,474,089
Infrastructure	47,893	5,392	-	53,285
Property under capital lease	546,327	8,600	-	554,927
Total accumulated depreciation	26,096,209	2,375,497	256,476	28,215,230
Total depreciable historical cost - net	44,474,972	(2,049,454)	-	42,425,518
Governmental activities capital assets - net	\$ 45,948,180	\$ (2,032,954)	\$ -	\$ 43,915,226

The balance in construction in progress is not shown on the Annual Financial Report of the District.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities**

Support services:

Instruction	\$ 1,920,904
Student	267
Instructional staff	14,712
District administration	23,868
School administration	7,070
Business	718
Plant operation and maintenance	37,377
Student transportation	370,453
Community service activities	<u>128</u>
	<u><u>\$ 2,375,497</u></u>

<b>Business-Type Activities</b>	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>
Capital assets depreciated:				
Buildings and improvements	\$ 3,034,646	\$ -	\$ -	\$ 3,034,646
Technology equipment	15,226	-	-	15,226
General equipment	<u>1,021,408</u>	<u>-</u>	<u>6,800</u>	<u>1,014,608</u>
Total depreciable historical cost	<u>4,071,280</u>	<u>-</u>	<u>6,800</u>	<u>4,064,480</u>
Less: accumulated depreciation				
Buildings and improvements	952,226	47,453	-	999,679
Technology equipment	13,659	-	-	13,659
General equipment	<u>807,530</u>	<u>36,805</u>	<u>6,800</u>	<u>837,535</u>
Total accumulated depreciation	<u>1,773,415</u>	<u>84,258</u>	<u>6,800</u>	<u>1,850,873</u>
Business-type activities, capital assets - net	<u><u>\$ 2,297,865</u></u>	<u><u>\$ (84,258)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,213,607</u></u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 – LONG-TERM OBLIGATIONS**

The amount shown in the accompanying financial statements as lease and bonded debt obligations represents the District's future obligations to make payments related to school building revenue bonds issued by the Graves County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected in the fund financial statements.

<u>Issue Date</u>	<u>Proceeds</u>	<u>Maturity Dates</u>	<u>Rates</u>	<u>Balance June 30, 2018</u>
2009R	\$ 1,525,000	2020	2.50% - 3.70%	\$ 365,000
2011R	10,965,000	2023	2.00% - 3.125%	6,135,000
2013	8,395,000	2029	1.20% - 4.00%	6,305,000
2014	9,135,000	2035	1.00% - 3.55%	8,445,000
2015	1,620,000	2026	.45% - 2.10%	1,305,000

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund), is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Graves County School District Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become property of the District. The District is obligated to maintain property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

In 1991, the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table that follows sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity, and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2018 for debt service (principal and interest) are as follows:

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 – LONG-TERM OBLIGATIONS, continued**

Year	Graves County School District		Kentucky School Facility Construction Commission		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,535,683	\$ 419,451	\$ 764,317	\$ 228,422	\$ 2,300,000	\$ 647,873
2020	1,577,870	387,029	782,130	210,483	2,360,000	597,512
2021	1,628,305	346,649	601,695	190,231	2,230,000	536,880
2022	1,684,565	302,238	615,435	176,492	2,300,000	478,730
2023	1,749,028	254,424	630,972	160,956	2,380,000	415,380
2024-2028	3,069,466	842,587	2,790,534	568,536	5,860,000	1,411,123
2029-2033	2,284,926	412,423	1,365,074	194,989	3,650,000	607,412
2034-2035	1,038,189	55,159	436,811	23,064	1,475,000	78,223
	<u>\$ 14,568,032</u>	<u>\$ 3,019,960</u>	<u>\$ 7,986,968</u>	<u>\$ 1,753,173</u>	<u>\$ 22,555,000</u>	<u>\$ 4,773,133</u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 – LONG-TERM OBLIGATIONS, continued**

Changes in the bond issues during the year are summarized below:

	Balance July 1, 2017	New Issues/ Adjustments	Debt Payments/ Refunds	Balance June 30, 2018	Due within One Year
Bonds payable:					
Revenue bonds	\$ 24,785,000	\$ -	\$ 2,230,000	\$ 22,555,000	\$ 2,300,000
Less premium (discount)	(95,987)	-	(5,272)	(90,715)	-
Total bonds payable	24,689,013	-	2,224,728	22,464,285	2,300,000
Other liabilities:					
Compensated absences					
Governmental	395,309	-	60,850	334,459	-
Business-type	18,496	26,087	-	44,583	-
Total other liabilities	413,805	26,087	60,850	379,042	-
Totals	<u>\$ 25,102,818</u>	<u>\$ 26,087</u>	<u>\$ 2,285,578</u>	<u>\$ 22,843,327</u>	<u>\$ 2,300,000</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The compensated absences will be liquidated by the General Fund.

**NOTE 5 – COMPENSATED ABSENCES**

Upon retirement from the school system, employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated the amount for governmental activities will be approximately \$334,459 with \$-0- considered the short-term portion. Management has estimated the amount for business-type activities will be approximately \$44,583 with \$-0- considered the short-term portion.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 – FUND BALANCE REPORTING**

The following is a summary of designations of Fund Balance at June 30, 2018:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted:				
Capital Outlay Fund	-	-	180,867	180,867
Construction Fund	-	-	213,691	213,691
District Activity Fund	-	-	18,261	18,261
Assigned:				
Site based carry forward	-	-	-	-
Committed:				
Sick leave	149,000	-	-	149,000
Unassigned	<u>1,282,978</u>	<u>-</u>	<u>-</u>	<u>1,282,978</u>
	<u><u>\$ 1,431,978</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 412,819</u></u>	<u><u>\$ 1,844,797</u></u>

**NOTE 7 – TRANSFER OF FUNDS**

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Matching funds	\$ 80,783
General	Special Revenue	Transfer to FRYSC	8,874
Special Revenue	General	Indirect cost transfer	31,635
Food Service	General	Indirect cost transfer	125,000
Capital Outlay	Debt Service	Debt payments	420,644
Building	Debt Service	Debt payments	1,506,020
Construction	Construction	Project transfers	<u>218,077</u>
			<u><u>\$ 2,391,033</u></u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 8 – DEFICIT OPERATING FUND BALANCES**

There are no funds in the District that currently have a deficit balance. However, the following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Construction	\$ (21,509)
General Fund	(794,287)
Seek Capital Outlay	(35,966)

**NOTE 9 – ON-BEHALF PAYMENTS**

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2018:

Health insurance	\$ 5,100,409
Life insurance	7,753
Administrative fee	63,632
Health reimbursement account- HRA/dental/vision	239,925
	<u>5,411,719</u>
Federal reimbursements of health benefits	(151,771)
	<u>5,259,948</u>
Kentucky Teacher's Retirement System	5,917,737
Technology	75,617
SFCC debt service	<u>992,258</u>
	<u><u>\$ 12,245,560</u></u>

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments has been included in revenues, and the applicable expenditure functions in these financial statements as follows:

Governmental activities:	
General Fund	\$ 10,986,929
Debt Service Fund	992,258
Business-type activities:	
Food Service Fund	<u>266,373</u>
	<u><u>\$ 12,245,560</u></u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 – PENSION PLANS**

The District's employees are provided with two pensions based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

**General information about the County Employees Retirement System Non-Hazardous ("CERS")**

*Plan description* – Employees whose positions do not require a college degree beyond a high school diploma are covered by CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided* – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years' service or 65 years old
	Reduced retirement	At least 5 years' service and 55 years old At least 25 years' service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years' service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.



**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 – PENSION PLANS, continued**

Contributions – Required contributions by the employee are based on the tier:

	<u>Required contributions</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

**General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")**

*Plan description* – Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and, therefore, is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

*Benefits provided* – For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

1. Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
2. Complete 27 years of Kentucky service.

Employees who retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2.0% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 – PENSION PLANS, continued**

Final average salary is defined as the member's five (5) highest salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

*Contributions* – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 16.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 16.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 14,220,962
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>154,512,637</u>
	<u><u>\$ 168,733,599</u></u>

The net pension liability of the plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District's proportion was 0.242956%.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 – PENSION PLANS, continued**

For the year ended June 30, 2018, the District recognized pension expense of \$2,611,616 related to CERS and \$10,998,931 related to KTRS. The District also recognized revenue of \$10,998,931 for KTRS support provided by the Commonwealth. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>County Employees Retirement System (CERS)</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,639	360,989
Change of assumptions	2,624,153	-
Net differences between projected and actual earnings on pension plan investments	1,126,283	950,386
Changes in proportion and difference between District contributions and proportionate share of contributions	338,007	3,947
District contributions subsequent to the measurement date	<u>884,717</u>	<u>-</u>
Total	<u><u>\$ 4,990,799</u></u>	<u><u>\$ 1,315,322</u></u>

The amount of \$884,717 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30</u>	
2018	\$ 1,279,467
2019	1,188,845
2020	505,053
2021	(182,605)
2022	-
Thereafter	<u>-</u>
Total	<u><u>\$ 2,790,760</u></u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 – PENSION PLANS, continued**

*Actuarial assumptions* – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.50-7.30%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumption used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For KTRS, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The results of the experience study for the period July 1, 2010 - June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 – PENSION PLANS, continued**

<u>Measurement Period 2017</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equity	17.50%	5.97%
International equity*	17.50%	7.85%
Global bonds	4.00%	2.63%
Global credit	2.00%	3.63%
High yield	7.00%	5.75%
Emerging market debt	5.00%	5.50%
Private credit	10.00%	8.75%
Real estate*	5.00%	7.63%
Absolute return	10.00%	5.63%
Real return*	10.00%	6.13%
Private equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100.0%</u>	

\* Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan.

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

<u>Measurement Period 2017</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equity	42.00%	4.40%
International equity	20.00%	5.30%
Fixed income	16.00%	1.50%
Additional categories*	9.00%	3.60%
Real estate	5.00%	4.40%
Private equity	6.00%	6.70%
Cash	2.00%	0.80%
Total	<u>100.00%</u>	

\*Includes hedge funds, high yield and non-US developed bonds.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 – PENSION PLANS, continued**

*Discount rate* – For CERS, the discount rate used to measure the total pension liability for the measurement periods with year ended June 30, 2017 was 6.25%, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan employees were projected through 2117. Projected inflows from investment earnings were calculated using the long-term assumed investment return for the year ended June 30, 2017 of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates, and the additional amounts appropriated for fiscal years 2017 and 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

*Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate* – The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	<u>5.25%</u>	<u>5.25%</u>	<u>7.25%</u>
District's proportionate share of net pension liability	\$ 17,935,706	\$ 14,220,962	\$ 11,113,606
KTRS	<u>3.49%</u>	<u>4.49%</u>	<u>5.49%</u>
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS and KTRS.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**General Information about the County Employees Retirement System Non-Hazardous OPEB Plan**

*Plan description:* County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city and any additional eligible local agencies electing to participate in CERS. The District participates in the Non-Hazardous plan.

*Benefits provided:* The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Portion Paid by Insurance Fund</u>	
<u>Years of Service</u>	<u>Paid by Insurance Fund (%)</u>
20+ Years	100.00%
15-19 Years	75.00%
10-14 Years	50.00%
4-9 Years	25.00%
< 4 Years	0.00%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for either system.

*Contributions:* The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5%. Employees hired on or after September 1, 2018, contribute an additional 1% to health insurance.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2018 and 2017, participating employers contributed 19.18% (14.48% pension fund and 4.70% insurance fund) and 18.68% (13.95% pension fund and 4.73% insurance fund), respectively, of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contribution to the insurance fund from the District was \$287,167 for the year ended June 30, 2018.

The District has met 100% of the contribution funding requirement for the year ended June 30, 2018. Total current year contributions recognized by the plan were \$287,167 for the year ended June 30, 2018. The OPEB contribution amount does not include the implicit subsidy reported in the amount of \$59,694.

**General Information about the Teachers' Retirement System of Kentucky OPEB Plan**

*Plan description* – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

**Medical Insurance Plan (MIF)**

*Plan description* – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.



**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

*Benefits provided* – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund (MIF) offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

*Contributions* – In order to fund the postretirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the Kentucky School District reported a liability of \$4,894,247 for CERS and \$19,573,000 for KTRS for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion for CERS was .242956% and KTRS was .302118%.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

	CERS	Medical Insurance Fund KTRS
District's proportionate share of net OPEB liability	\$ 4,884,247	\$ 10,773,000
State's proportionate share of net OPEB liability associated with the District	-	8,800,000
Total	<u>\$ 4,884,247</u>	<u>\$ 19,573,000</u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

For the year ended June 30, 2018, the District recognized OPEB expense of \$556,578 for CERS and \$1,274,000 for KTRS and revenue of \$573,000 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	CERS		Medical Insurance Fund KTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,566	\$ -	\$ 139,000
Changes of assumptions	-	230,827	-	-
Net difference between projected and actual earnings on pension plan investments	1,062,781	-	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	11,332	-	-
District contributions subsequent to the measurement date	287,167	-	-	-
Total	<u>\$ 1,349,948</u>	<u>\$ 255,725</u>	<u>\$ -</u>	<u>\$ 139,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$287,167 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Years Ending June 30	CERS	KTRS
2018	\$ 138,862	\$ -
2019	138,862	(35,000)
2020	138,862	(35,000)
2021	138,862	(35,000)
2022	196,569	(34,000)
Thereafter	55,039	-
Total	<u>\$ 807,056</u>	<u>\$ (139,000)</u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

*Actuarial assumptions:* The total CERS OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.05%, Average
Investment rate of return	6.25%
Healthcare cost trend rates (pre-65)	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare cost trend rates (post-65)	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

*Actuarial assumptions:* The total TRS OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50-7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal bond index rate	3.56%
Discount rate	8.00%
Single equivalent interest rate	8.00%, net of OPEB plan investment expense, including inflation

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

For CERS, the mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back on year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

For TRS, the mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

For CERS, the long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Nominal Return
US equity	17.50%	5.97%
International equity*	17.50%	7.85%
Global bonds	4.00%	2.63%
Global credit	2.00%	3.63%
High yield	7.00%	5.75%
Emerging market debt	5.00%	5.50%
Private credit	10.00%	8.75%
Real estate*	5.00%	7.63%
Absolute return	10.00%	5.63%
Real return*	10.00%	61.30%
Private equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100.00%</u>	

\*Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global equity	60.00%	5.10%
Fixed income	9.00%	1.20%
Real estate	4.50%	4.00%
Private equity	5.50%	6.60%
High yield	10.00%	4.30%
Other additional categories*	10.00%	3.30%
Cash (LIBOR)	1.00%	0.50%
Total	<u>100.00%</u>	

*\*Modeled as 50% high yield and 50% bank loans.*

*Discount rate:* For the CERS, the discount rate used to measure the total OPEB liability was 5.84% for non-hazardous and 5.96% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.56%, as reported in the Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and the actuarial assumptions and methods adopted by the Board of Trustees.

Period of projected benefit payments- Current assets, future contributions and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

For KTRS, the discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

*Sensitivity of the District's proportionate share of the CERS and TRS net OPEB liability to changes in the discount rate:* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84% for non-hazardous and 4.96% for hazardous) or 1-percentage-point higher (6.84% for non-hazardous and 6.96% for hazardous) than the current rate:

	1% Decrease <u>4.84%</u>	Current Discount Rate <u>5.84%</u>	1% Increase <u>6.84%</u>
CERS	\$ 6,214,933	\$ 4,884,247	\$ 3,776,906
	<u>7.00%</u>	<u>8.00%</u>	<u>9.00%</u>
KTRS - MIF	\$ 22,793,000	\$ 19,573,000	\$ 16,892,000

*Sensitivity of the District's proportionate share of the CERS and TRS net OPEB liability to changes in the healthcare cost trend rates:* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease <u>          </u>	Current Healthcare Cost Trend Rate <u>          </u>	1% Increase <u>          </u>
CERS	\$ 3,746,469	\$ 4,884,247	\$ 6,363,291
KTRS	16,392,000	19,573,000	23,500,000

*Changes of assumptions:* Subsequent to the actuarial valuation date, but prior to the measurement dates, the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, total CERS OPEB liability as of June 30, 2017 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

*Payable to the OPEB plan:* At June 30, 2018, the District reported a payable of \$0 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2018.

*Pension plan fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 12 – CONTINGENCIES AND COMMITMENTS**

Grant Programs

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if, based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

KSBIT

The District was notified in fiscal year 2014 by the Kentucky School Board Insurance Trust of a \$592,117 liability for workers' compensation losses incurred by the Trust. The District made a down payment of \$181,842 in August 2014. The District chose to pay the remaining liability of \$410,275 in six installments beginning August 15, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020. The unpaid balance of \$137,463 is recorded as a liability of the District.

**NOTE 13 – RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance.

The District purchases unemployment insurance through the Kentucky School Boards' Insurance Trust Unemployment Compensation Fund; however, the risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks to loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements.

**NOTE 14 – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss.

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.



**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 15 – LEASE AGREEMENT**

The District (“Lessor”) entered into a lease agreement with the Murray Head Start Program (“Lessee”), whereby the lessee agreed to pay the lessor \$212,000 as an advance for the term of the lease. These funds were received by the District in fiscal year ended June 30, 2004 and were reported as current revenues in the General Fund financial statements and unearned revenue in the government-wide financial statements.

The initial term of the lease agreement began on August 1, 2004, and ended on July 31, 2005. It is automatically renewable for 29 consecutive one year options at no additional cost. Under its terms, the lessor shall provide space including maintenance, utilities, insurance and custodial services, for all children participating in the Murray Head Start Program. The intent of the parties is for the Murray Head Start Program to conduct activities over the stated 29-year period. Accordingly, rental income is being recognized annually over this period of time.

**NOTE 16 – INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at June 30, 2018 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 245,523	\$ -
Special Revenue Fund		92,171
Day Care Fund		153,352
	<u>\$ 245,523</u>	<u>\$ 245,523</u>

For the purpose of the government wide Statement of Net Position, governmental fund interfund accounts have been eliminated.

**NOTE 17 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS**

During fiscal year 2018, the District adopted the following accounting pronouncements:

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016.
- GASB Statement No. 85, *Omnibus 2017*, issued March 2017.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017.

Adoption of these statements did not have a significant impact on the District’s financial position or results of operations.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued on June 2015 aims to improve financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers regarding financial support for OPEB that is provided by other entities.

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 17 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS, continued**

Adoption of this statement had a significant impact on the District's financial position. As a result, the District restated the July 1, 2017 net position in the amount of (\$14,497,057) as outlined below.

	Beginning Balance	As Restated	GASB 75 Adjustment
Statement of Activities			
Governmental Activities	\$ 16,564,873	\$ 2,662,204	\$ 13,902,669
Statement of Revenues, Expenses and Changes in Net Position			
School Food Services Fund	1,981,062	1,386,674	<u>594,388</u>
Total			<u><u>\$ 14,497,057</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**GRAVES COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 6,191,166	\$ 5,964,750	\$ 5,821,442	\$ (143,308)
Motor vehicle	981,000	1,100,000	955,690	(144,310)
Utilities	1,545,500	1,520,000	1,568,227	48,227
Other	250,000	275,000	259,127	(15,873)
Student activities	26,000	25,000	21,685	(3,315)
Earnings on investments	24,000	48,000	60,533	12,533
Other local revenues	307,082	486,844	568,548	81,704
Intergovernmental - state	24,124,414	24,501,346	27,577,440	3,076,094
Intergovernmental - indirect federal	200,000	348,577	394,369	45,792
<b>Total revenues</b>	<b>33,649,162</b>	<b>34,269,517</b>	<b>37,227,061</b>	<b>2,957,544</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	20,107,605	20,684,104	23,237,595	(2,553,491)
Support services:				
Student	2,434,584	2,558,630	2,889,615	(330,985)
Instructional staff	1,333,959	1,054,580	1,004,480	50,100
District administration	2,742,605	2,522,735	1,415,214	1,107,521
School administration	2,222,679	2,267,774	2,520,280	(252,506)
Business	571,150	600,128	625,025	(24,897)
Plant operation and maintenance	3,525,559	3,507,957	3,498,682	9,275
Student transportation	3,002,512	2,919,926	2,989,489	(69,563)
Community service activities	-	5,757	3,480	2,277
Land improvements/acquisition	183,589	-	-	-
Debt service	214,080	80,763	-	80,763
<b>Total expenditures</b>	<b>36,338,322</b>	<b>36,202,354</b>	<b>38,183,860</b>	<b>(1,981,506)</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(2,689,160)</b>	<b>(1,932,837)</b>	<b>(956,799)</b>	<b>976,038</b>
<b>Other financing sources (uses)</b>				
Proceeds from sale of fixed assets	-	11,750	95,534	83,784
Operating transfers in	44,873	41,489	156,635	115,146
Operating transfers out	(99,790)	(99,790)	(89,657)	10,133
<b>Total other financing sources (uses)</b>	<b>(54,917)</b>	<b>(46,551)</b>	<b>162,512</b>	<b>209,063</b>
<b>Net change in fund balance</b>	<b>(2,744,077)</b>	<b>(1,979,388)</b>	<b>(794,287)</b>	<b>1,185,101</b>
<b>Fund balance, July 1, 2017</b>	<b>2,744,077</b>	<b>1,979,388</b>	<b>2,226,265</b>	<b>246,877</b>
<b>Fund balance, June 30, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,431,978</b>	<b>\$ 1,431,978</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amount</u>			Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
From local sources:				
Other local revenues	\$ (460)	\$ 23,250	\$ 12,843	\$ (10,407)
Intergovernmental - state	1,961,227	1,682,322	1,762,176	79,854
Intergovernmental - federal	2,253,624	2,326,682	2,198,299	(128,383)
<b>Total revenues</b>	<u>4,214,391</u>	<u>4,032,254</u>	<u>3,973,318</u>	<u>(58,936)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	2,720,913	2,628,364	2,575,305	53,059
Support services:				
Student	68,803	114,425	100,159	14,266
Instructional staff	1,018,319	830,493	831,508	(1,015)
District administration	(5,075)	-	383	(383)
Business	15,839	17,439	7,909	9,530
Student transportation	49,588	87,566	92,400	(4,834)
Community services	426,144	423,052	423,676	(624)
<b>Total expenditures</b>	<u>4,294,531</u>	<u>4,101,339</u>	<u>4,031,340</u>	<u>69,999</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>(80,140)</u>	<u>(69,085)</u>	<u>(58,022)</u>	<u>11,063</u>
<b>Other financing sources (uses)</b>				
Proceeds from disposal of fixed assets	-	-	-	-
Operating transfers in	104,149	100,581	89,657	(10,924)
Operating transfers out	(27,064)	(31,496)	(31,635)	(139)
<b>Total other financing sources (uses)</b>	<u>77,085</u>	<u>69,085</u>	<u>58,022</u>	<u>(11,063)</u>
<b>Net change in fund balance</b>	<u>(3,055)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, July 1, 2017</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ (3,055)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET AND ACTUAL  
JUNE 30, 2018**

The District's budgetary process accounts for certain transactions on a basis other than GAAP. Differences between the budgetary accounting method and GAAP are not material.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other local, state and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

The General Fund FY 18 budget include \$10,986,929 of state payments on behalf of District employees for retirement and health benefits, technology and debt service.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

**GRAVES COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**JUNE 30, 2018**  
**County Employees Retirement System**

	2018	2017	2016	2015
District's proportion of net pension liability	0.242956%	0.238620%	0.226630%	0.226742%
District's proportionate share of net pension liability	\$ 14,220,962	\$ 11,748,778	\$ 9,743,869	\$ 7,520,200
State's proportionate share of net pension liability associated with the District	-	-	-	-
Total	<u>\$ 14,220,962</u>	<u>\$ 11,748,778</u>	<u>\$ 9,743,869</u>	<u>\$ 7,520,200</u>
District's covered-employee payroll	\$ 6,109,927	\$ 5,974,914	\$ 5,756,421	\$ 5,278,202
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	232.75%	196.64%	169.27%	142.48%
Plan fiduciary net position as a percentage of total pension liability	53.30%	55.50%	59.97%	66.80%

*Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 68 was implemented in fiscal year 2015.*

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF REQUIRED CONTRIBUTIONS TO PENSION PLAN  
JUNE 30, 2018  
County Employees Retirement System**

	2018	2017	2016	2015
Contractually required contribution	\$ 884,717	\$ 1,116,113	\$ 982,046	\$ 932,674
Contributions in relation to the contractually required contribution	884,717	1,116,113	982,046	932,674
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,109,927	\$ 5,974,914	\$ 5,278,202	\$ 5,278,202
Contributions as a percentage of covered-employee payroll	14.48%	18.68%	18.61%	17.67%

*Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 68 was implemented in fiscal year 2015.*



**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
JUNE 30, 2018  
Kentucky Teachers' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of net pension liability associated with the District	<u>\$ 154,512,637</u>	<u>\$ 166,133,398</u>	<u>\$ 130,876,133</u>	<u>\$ 115,182,631</u>
Total	<u><u>\$ 154,512,637</u></u>	<u><u>\$ 166,133,398</u></u>	<u><u>\$ 130,876,133</u></u>	<u><u>\$ 115,182,631</u></u>
District's covered-employee payroll	\$ 18,440,182	\$ 19,061,197	\$ 18,188,450	\$ 17,925,102
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	39.83%	35.22%	42.49%	45.59%

*Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 68 was implemented in fiscal year 2015.*

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF REQUIRED CONTRIBUTIONS TO PENSION PLAN  
JUNE 30, 2018  
Kentucky Teachers' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution - On behalf payments - KDE	\$ 5,917,737	\$ 2,733,577	\$ 2,706,697	\$ 2,714,315
Contributions in relation to the contractually required contribution	<u>5,917,737</u>	<u>2,733,577</u>	<u>2,706,697</u>	<u>2,714,315</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 18,440,182	\$ 19,061,197	\$ 18,188,450	\$ 17,925,102
Contributions as a percentage of covered-employee payroll	32.09%	14.34%	14.88%	15.14%

*Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 68 was implemented in fiscal year 2015.*

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 – COUNTY EMPLOYEES RETIREMENT SYSTEM (NONHAZARDOUS)**

Changes in assumptions and benefit terms

**2017:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows

- The assumed investment rate of return was decreased from 7.50% to 7.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

**NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM**

Changes of benefit terms - None

Changes of assumptions

**Method and assumptions used in calculations of actuarially determined contributions.** The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, 2017. The following actuarial methods and assumptions are used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level of percentage of payroll, open
Remaining amortization period	27.4 years
Asset valuation method	5-year smoothed market
Inflation	3.00 percent
Salary increase	3.50 to 7.30 percent, including inflation
Ultimate Investment rate of return*	7.50 percent, net of pension plan investment expense, Including inflation

\*The actuarially determined contribution rates are determined using the interest smoothing methodology adopted by the Board.

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY  
JUNE 30, 2018  
County Employees Retirement System**

	<u>2018</u>
District's proportion of net OPEB liability (asset)	0.242956%
District's proportionate share of net OPEB liability (asset)	<u>\$ 4,884,247</u>
District's covered - employee payroll	<u>\$ 6,109,927</u>
District's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll	79.94%
Plan fiduciary net position as a percentage of total OPEB liability	52.40%

*Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.*

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF REQUIRED OPEB CONTRIBUTIONS  
JUNE 30, 2018  
County Employees Retirement System**

	2018
Contractually required OPEB contribution	\$ 287,167
Contributions in relation to the contractually required contribution	<u>287,167</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 6,109,927
Contributions as a percentage of covered- employee payroll	4.70%

*Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.*

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY  
JUNE 30, 2018  
Medical Insurance (KTRS)**

	<u>2018</u>
District's proportion of collective net OPEB liability (asset)	0.000000%
District's proportionate share of collective net OPEB liability (asset)	\$ 10,773,000
State's proportionate share of collective net OPEB liability (asset) associated with the District	<u>8,800,000</u>
Total	<u><u>\$ 19,573,000</u></u>
District's covered-employee payroll	<u><u>\$ 18,440,182</u></u>
District's proportionate share of collective net OPEB liability (asset) as a percentage of its covered-employee payroll	106.14%
Plan fiduciary net position as a percentage of total OPEB liability	21.18%

\*The amounts presented for each fiscal year determined as of June 30.

*Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.*

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF REQUIRED OPEB CONTRIBUTIONS  
JUNE 30, 2018  
Medical Insurance (KTRS)**

	2018
Contractually required contribution	\$ 422,815
Contributions in relation to the contractually required contribution	<u>422,815</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 18,440,182</u>
Contributions as a percentage of covered- employee payroll	2.29%

*Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018*

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB  
JUNE 30, 2018**

**NOTE 1 – COUNTY EMPLOYEES RETIREMENT SYSTEMS (NON-HAZARDOUS)**

Changes in assumptions and benefits

**2017:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.5% to 6.25%
- The assumed rate of inflation was reduced from 3.25% to 2.30%
- Payroll growth assumption was reduced from 4.00% to 3.05%

**NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM**

*Changes of benefit terms* – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the Kentucky Employees' Health Plan (KEHP)—participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

*Methods and assumptions used in the actuarially determined contributions* – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Amortization period	30 years, open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).



**GRAVES COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB**  
**JUNE 30, 2018**

**NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued**

**Life Insurance Plan**

*Plan description – Life Insurance Plan* – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

*Benefits provided* – TRS provides a life insurance benefit of five thousand dollars' payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars' payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

*Contributions* – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

**OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At June 30, 2018, the Kentucky School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the District were as follows:

<u>KTRS</u>	<u>Life Insurance Fund</u>
District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>118,000</u>
Total	<u><u>\$ 118,000</u></u>

**GRAVES COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB**  
**JUNE 30, 2018**

**NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued**

For the year ended June 30, 2018, the District recognized OPEB expense of \$17,000 and revenue of \$17,000 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

KTRS	Life Insurance Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Years Ending June 30	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-
	<u>\$ -</u>

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB  
JUNE 30, 2018**

**NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued**

*Actuarial assumptions* – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50% - 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Municipal bond index rate	3.56%
Discount rate	7.50%
Single equivalent interest rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB  
JUNE 30, 2018**

**NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued**

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class*	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. large cap equity	38.40%	4.30%
U.S. small cap equity	2.60%	4.80%
Developed int'l equity	15.80%	5.20%
Emerging markets equity	4.20%	5.40%
Fixed income - inv grade	16.00%	1.20%
Real estate	6.00%	4.00%
Private equity	7.00%	6.60%
High yield	2.00%	4.30%
Other additional categories**	7.00%	3.30%
Cash (LIBOR)	1.00%	0.50%
Total	<u>100.00%</u>	

*\*As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.*

*\*\*Modeled as 50% high yield and 50% bank loans.*

*Discount rate* - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB  
JUNE 30, 2018**

**NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued**

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	KTRS - Life Insurance Fund		
	Current Discount		
	1% Decrease	Rate	1% Increase
	6.50%	7.50%	8.50%
District's net pension liability	\$ 196,000	\$ 118,000	\$ 54,000

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

**GRAVES COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB**  
**JUNE 30, 2018**

**NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued**

	<u>2018</u>
District's proportion of collective net OPEB liability (asset)	0.00%
District's proportionate share of collective net OPEB liability (asset)	\$ -
State's proportionate share of collective net OPEB liability (asset) associated with the District	<u>118,000</u>
Total	<u><u>\$ 118,000</u></u>
District's covered-employee payroll	<u><u>\$ 18,440,182</u></u>
District's proportionate share of collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0%
Plan fiduciary net position as a percentage of total OPEB liability	79.99%

\*The amounts presented for each fiscal year were determined as of June 30.

*Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.*

**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB  
JUNE 30, 2018**

**NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued**

**SCHEDULE OF DISTRICT CONTRIBUTIONS - LIFE INSURANCE  
Teachers' Retirement System of Kentucky**

	2018
Contractually required contribution	\$ 5,176
Contributions in relation to the contractually required contribution	<u>5,176</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 18,440,182</u>
Contributions as a percentage of covered- employee payroll	0.03%

*Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.*

**Notes to Required Supplementary Information – Life Insurance Plan  
June 30, 2018**

Changes of benefit terms – None.

Methods and assumptions used in the actuarially determined contributions—The actuarially determined contribution rates, as a percentage of payroll, use to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	30 years, open
Asset valuation method	Market value
Inflation	3.50%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

## **OTHER SUPPLEMENTARY INFORMATION**



**GRAVES COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Governmental Funds
<b>ASSETS AND RESOURCES</b>						
Cash and cash equivalents	\$ -	\$ 180,867	\$ 213,691	\$ -	\$ 18,311	\$ 412,869
Total assets and resources	<u>\$ -</u>	<u>\$ 180,867</u>	<u>\$ 213,691</u>	<u>\$ -</u>	<u>\$ 18,311</u>	<u>\$ 412,869</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 50
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
Fund Balances						
Nonspendable	-	-	-	-	-	-
Spendable:						
Restricted	-	180,867	213,691	-	18,261	412,819
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>180,867</u>	<u>213,691</u>	<u>-</u>	<u>18,261</u>	<u>412,819</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 180,867</u>	<u>\$ 213,691</u>	<u>\$ -</u>	<u>\$ 18,311</u>	<u>\$ 412,869</u>

**GRAVES COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>						
From local sources:						
Taxes						
Property	\$ 887,384	\$ -	\$ -	\$ -	\$ -	\$ 887,384
Student activities	-	-	-	-	4,500	4,500
Investment on earnings	-	-	4,287	-	-	4,287
Other local revenues	-	-	-	-	34,819	34,819
Intergovernmental - state	618,636	384,678	-	992,258	-	1,995,572
<b>Total revenues</b>	<u>1,506,020</u>	<u>384,678</u>	<u>4,287</u>	<u>992,258</u>	<u>39,319</u>	<u>2,926,562</u>
<b>EXPENDITURES</b>						
Instruction	-	-	-	-	23,498	23,498
Supporting services						
Plant operation and maintenance	-	-	-	-	(1,443)	(1,443)
Debt service	-	-	-	2,918,922	-	2,918,922
Building improvements	-	-	25,796	-	-	25,796
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>25,796</u>	<u>2,918,922</u>	<u>22,055</u>	<u>2,966,773</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>1,506,020</u>	<u>384,678</u>	<u>(21,509)</u>	<u>(1,926,664)</u>	<u>17,264</u>	<u>(40,211)</u>
<b>Other financing sources (uses)</b>						
Operating transfer in	-	-	218,077	1,926,664	-	2,144,741
Operating transfer out	(1,506,020)	(420,644)	(218,077)	-	-	(2,144,741)
<b>Total other financing sources (uses)</b>	<u>(1,506,020)</u>	<u>(420,644)</u>	<u>-</u>	<u>1,926,664</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	-	(35,966)	(21,509)	-	17,264	(40,211)
<b>Fund balances, July 1, 2017</b>	<u>-</u>	<u>216,833</u>	<u>235,200</u>	<u>-</u>	<u>997</u>	<u>453,030</u>
<b>Fund balances, June 30, 2018</b>	<u>\$ -</u>	<u>\$ 180,867</u>	<u>\$ 213,691</u>	<u>\$ -</u>	<u>\$ 18,261</u>	<u>\$ 412,819</u>

**GRAVES COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Cash Balance July 1, 2017	Receipts	Disbursements	Cash Balance June 30, 2018	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2018
Central Elementary	\$ 19,574	\$ 49,455	\$ 39,586	\$ 29,443	\$ -	\$ -	\$ 29,443
Fancy Farm Elementary	14,878	36,328	39,553	11,653	-	-	11,653
Farmington Elementary	21,843	39,867	35,090	26,620	-	-	26,620
Lowes Elementary	15,699	53,874	33,334	36,239	-	-	36,239
Sedalia Elementary	5,828	28,897	30,475	4,250	-	-	4,250
Symsonia Elementary	46,852	27,865	25,655	49,062	-	-	49,062
Wingo Elementary	17,885	34,192	33,155	18,922	-	-	18,922
Graves County Middle School	36,001	131,438	127,960	39,479	-	-	39,479
Graves County High School	278,799	989,521	941,490	326,830	-	-	326,830
Totals	<u>\$ 457,359</u>	<u>\$ 1,391,437</u>	<u>\$ 1,306,298</u>	<u>\$ 542,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,498</u>

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS – GRAVES COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2018**

	Cash Balance July 1, 2017	Receipts	Disbursements	Cash Balance June 30, 2018	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2018
<b>GRAVES COUNTY HIGH SCHOOL:</b>							
General administration	\$ 1,694	\$ 47,078	\$ 32,484	\$ 16,288	\$ -	\$ -	\$ 16,288
Credit recovery	-	580	-	580	-	-	580
Youth Service Center	69	150	95	124	-	-	124
School vehicle	2,876	1,710	1,350	3,236	-	-	3,236
Marshall Strong	-	5,310	5,310	-	-	-	-
Counselors' activity	920	1,050	1,601	369	-	-	369
Senior fees	-	12,093	12,092	1	-	-	1
AP funds	1,261	-	1,261	-	-	-	-
Book rent	10,803	-	10,803	-	-	-	-
Lost and damaged books	5,110	-	5,110.00	-	-	-	-
Testing fees	11,742	11,788	12,549	10,981	-	-	10,981
Science - field trips	639	-	-	639	-	-	639
Language Arts - field trips	1,116	322	383	1,055	-	-	1,055
Calculator rental	4,747	3,653	6,787	1,613	-	-	1,613
Senior Focus - field trips	796	790	938	648	-	-	648
Lead Mentoring-YSC	244	2,700	2,614	330	-	-	330
Student concessions	5,429	16,725	12,671	9,483	-	-	9,483
Staff concessions	89	746	835	-	-	-	-
General (fees)	23,158	32,286	14,165	41,279	-	-	41,279
Bank charges	91	322	413	-	-	-	-
Performing Arts Center	8,017	11,604	6,579	13,042	-	-	13,042
Sport's concessions	825	60,223	61,048	-	-	-	-
Athletic administration	5,136	12,020	12,276	4,880	-	-	4,880
General athletics	-	17,767	17,064	703	-	-	703
Tournament account	-	45,469	22,216	23,253	-	-	23,253
Sports revenue	4,003	90,085	94,087	1	-	-	1
Special projects	12,241	18,121	13,595	16,767	-	-	16,767
Baseball budget	-	32,539	32,539	-	-	-	-

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS – GRAVES COUNTY HIGH SCHOOL, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

	Cash Balance July 1, 2017	Receipts	Disbursements	Cash Balance June 30, 2018	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2018
<b>GRAVES COUNTY HIGH SCHOOL, continued</b>							
Boys basketball activity	2,930	41,715	44,645	-	-	-	-
Elementary basketball	2,671	34,387	36,401	657	-	-	657
Girls' basketball activity	4,624	23,847	27,526	945	-	-	945
Cheerleaders - co-ed	9,621	43,341	52,444	518	-	-	518
Cheerleaders - all girl	3,429	25,120	19,671	8,878	-	-	8,878
Cheerleaders all girls basketball	-	-	-	-	-	-	-
Cross country activity	4,009	13,705	12,078	5,636	-	-	5,636
Football activity	5,008	57,311	50,850	11,469	-	-	11,469
Football (elem/middle)	139	18,177	18,316	-	-	-	-
Elementary football	3,345	28,459	27,498	4,306	-	-	4,306
Golf	8,456	10,906	12,419	6,943	-	-	6,943
Girls' soccer	-	6,781	6,781	-	-	-	-
Boys' soccer	-	6,255	6,255	-	-	-	-
Softball activity	-	14,097	14,097	-	-	-	-
Tennis	2,635	6,180	5,476	3,339	-	-	3,339
Boys' track	-	9,625	9,625	-	-	-	-
Girls' track	-	1,186	1,186	-	-	-	-
Bowling	4,526	19,308	19,122	4,712	-	-	4,712
Volleyball	671	16,587	16,835	423	-	-	423
Archery	9,732	28,492	25,280	12,944	-	-	12,944
Elementary volleyball	3,601	2,655	6,256	-	-	-	-
Academic Team	-	484	324	160	-	-	160
Agape Club	339	325	172	492	-	-	492
Art	2,260	416	1,312	1,364	-	-	1,364
Leo Club	401	492	673.00	220	-	-	220
Beta Club	-	6,339	5,458	881	-	-	881

Continued

**GRAVES COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS – GRAVES COUNTY HIGH SCHOOL, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

	Cash Balance July 1, 2017	Receipts	Disbursements	Cash Balance June 30, 2018	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2018
<b>GRAVES COUNTY HIGH SCHOOL, continued</b>							
Bookstore	10,088	6,573	6,083	10,578	-	-	10,578
Drama	-	1,741	1,345	396	-	-	396
JKG	1,704	2,355	1,457	2,602	-	-	2,602
Musical Theater	256	2,751	2,404	603	-	-	603
FBLA	-	17,679	17,679	-	-	-	-
DECA	906	25,294	25,643	557	-	-	557
FCA	625	-	30	595	-	-	595
Chess Club	5,298	4,178	1,865	7,611	-	-	7,611
FFA	-	51,400	44,052	7,348.00	-	-	7,348
Equine	8,044	-	3,877	4,167	-	-	4,167
FCCLA	276	9,460	9,736	-	-	-	-
STOP	-	714	714	-	-	-	-
Horticulture	18,725	29,769	20,213	28,281	-	-	28,281
Engineering Club	1,060	140	1,200	-	-	-	-
Interact Club	3,740	654	1,530	2,864	-	-	2,864
Foreign language - French	396	115	260	251	-	-	251
Library	3,555	1,644	3,215	1,984	-	-	1,984
Newspaper	1,122	540	441	1,221	-	-	1,221
Key Club	165	65	85	145	-	-	145
FEA	-	230	-	230	-	-	230
Pep Club	840	1,302	1,719	423	-	-	423
Prom	2,570	10,446	11,722	1,294	-	-	1,294
Science Club	717	115	172	660	-	-	660
Forensics (Speech)	-	3,033	3,033	-	-	-	-
Student Council	1,478	4,677	6,133	22	-	-	22
Spanish Club	1,715	1,637	2,355	997	-	-	997
WGCE	5,818	4,951	7,093	3,676	-	-	3,676
Science Department	701	150	522	329	-	-	329
Yearbook	-	50,538	43,877	6,661	-	-	6,661

Continued

**GRAVES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS**  
**SCHOOL ACTIVITY FUNDS – GRAVES COUNTY HIGH SCHOOL, continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Cash Balance July 1, 2017	Receipts	Disbursements	Cash Balance June 30, 2018	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2018
<b>GRAVES COUNTY HIGH SCHOOL, continued</b>							
Young Democrats	2	-	-	2	-	-	2
Young Republicans	140	-	-	140	-	-	140
Young Politicians	-	25	15	10	-	-	10
Agriculture	-	1,252	1,252	-	-	-	-
Art	295	685	750	230	-	-	230
Anatomy & Physiology	111	869	932	48	-	-	48
Business Principles	5	1,106	1,104	7	-	-	7
Sports & Event Management	824	681	636	869	-	-	869
Principles of & Fashion Mkt	850	564	699	715	-	-	715
Engineering Design/Prin Eng	-	930	930	-	-	-	-
GC Publishing	241	-	-	241	-	-	241
Band	23,303	21,852	30,493	14,662	-	-	14,662
Choir class fees	-	130	83	46.7	-	-	47
Choral	-	3,899	3,751	148	-	-	148
Life Skills Class Fee	-	300	-	300	-	-	300
Home Economics	1,799	5,357	6,081	1,075	-	-	1,075
Special Life Skills	206	59	194	71	-	-	71
Language Arts books	490	15	503	2	-	-	2
Photography	2,769	240	488	2,521	-	-	2,521
Foreign language fees	1,263	1,276	917	1,622	-	-	1,622
Orchestra	1,821	37,883	39,704	-	-	-	-
Symphony Orchestra	1,039	10,132	10,813	358	-	-	358
Foreign Language Fees-SP	1,678	4,262	3,482	2,458	-	-	2,458
ROTC	2,249	9,706	7,148	4,807	-	-	4,807
Relay for Life	512	4,111	780	3,843	-	-	3,843
	278,799	1,178,806	1,130,775	326,830	-	-	326,830
Transfers in (out)	-	(189,285)	(189,285)	-	-	-	-
Totals	<u>\$ 278,799</u>	<u>989,521</u>	<u>941,490</u>	<u>\$ 326,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,830</u>

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	310000217	\$ 839,892
	84.010	310000216	<u>187,838</u> \$ 1,027,730
Special Education Cluster			
Special Education Grants to States	84.027	381000217	721,773
	84.027	381000216	90,006
Special Education Preschool Grants	84.173	380000217	33,994
	84.173	380000216	<u>77</u> 845,850
Migrant Education - State Grant Program	84.011	311000217	59,360
	84.011	311000216	<u>29,280</u> 88,640
Vocational Education Basic Grants to States	84.048	371000217	38,020
	84.048	371000216	<u>1,974</u> 39,994
English Language Acquisition State Grants	84.365	330000217	17,309
Improving Teacher Quality State Grants	84.367	323000217	116,576
	84.367	323000216	<u>19,044</u> 135,620
Student Support and Academic Enrichment	84.424	552D	11,515
Passed through State Department of Juvenile Justice:			
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	313D	31,640
	84.013	313C	<u>1</u> 31,641
Total U. S. Department of Education			<u>2,198,299</u>
<b>U.S. Department of Agriculture</b>			
Passed through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	776000518	715,483
	10.554	776000517	<u>215,889</u> 931,372
National School Lunch Program	10.555	775000218	1,219,676
	10.556	775000217	374,293
Noncash Assistance - Commodities (Note 5)	10.557	Fund 51	<u>206,559</u> 1,800,528
Total U.S. Department of Agriculture			<u>2,731,900</u>
Total Expenditures of Federal Awards			<u>\$ 4,930,199</u>



**GRAVES COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Graves County School District (the "District") under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE 3 – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**NOTE 4 – INDIRECT COST RATE**

The District has elected to use indirect cost rates as defined by the grantor.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 5 – COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

## **INTERNAL CONTROL AND COMPLIANCE**

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**DUGUID, GENTRY & ASSOCIATES, P.S.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Graves County School District  
Mayfield, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *the Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Graves County School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 13, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2018-001).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Graves County School District in a separate report dated November 13, 2018.

### **Graves County School District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

November 13, 2018

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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Graves County School District  
Mayfield, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Graves County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Graves County School District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Graves County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, Graves County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of the Uniform Guidance. Accordingly, this report is not suitable of any other purpose.

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

November 13, 2018

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                      ☐ yes    ☒ no

Significant deficiency(ies) identified?                      ☒ yes    ☐ none reported

Noncompliance material to financial  
statements noted?                      ☐ yes    ☒ no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?                      ☐ yes    ☒ no

Significant deficiency(ies) identified?                      ☐ yes    ☒ none reported

Type of auditors' report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are required to  
to be reported in accordance with 2 CFR section  
200.516(a)?                      ☐ yes    ☒ no

Identification of major federal programs:

<u>Program Title</u>	<u>CFDA Number</u>
Child Nutrition Cluster - School Breakfast Program	10.553
Child Nutrition Cluster - National School Lunch Program	10.555

Dollar threshold to distinguish  
between type A and type B programs:    \$750,000

Auditee qualified as a low-risk auditee?                      ☒ yes    ☐ no

**GRAVES COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**SIGNIFICANT DEFICIENCY**

2018-001 – Financial reporting

Condition – There was inadequate design of internal controls over the preparation of financial statements of the District.

Criteria – Statement on Auditing Standards (SAS 115) states that a control deficiency exists when an entity does not have controls in place which would prevent or detect a misstatement in the financial statements.

Effect – There was an increased risk that controls in place might not prevent, or detect and correct, misstatements in the financial statements.

Recommendation – The District should designate an individual who possesses suitable skill, knowledge, and/or experience to review the financial statements, including footnote disclosures, and take responsibility for these financial statements.

Response – Management outsourced the preparation of their financial statements and the related notes to Duguid, Gentry & Associates, PSC. Management maintained responsibility for the financial statements and related notes and for the establishment of controls over the financial reporting process and acknowledged that outsourcing preparation of the financial statements and related notes does not relieve management of the responsibility for the financial statements. Management provided oversight for the financial statement preparation service by designating an individual within senior management who possesses suitable technical skill, knowledge and experience sufficient to (a) understand the financial statement preparation service enough to be able to provide general direction for the service; (b) understand the key issues the auditor identifies; (c) make any required management decisions; and (d) evaluate the adequacy of, and accept responsibility for, the results of the auditor's work.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None reported



**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**SIGNIFICANT DEFICIENCY**

**2017-001 – Financial Reporting**

Condition – There was inadequate design of internal controls over the preparation of financial statements of the District.

Recommendation – The District should designate an individual who possesses suitable skill, knowledge and/or experience to review the financial statements, including footnote disclosures, and take responsibility for these financial statements.

Current Status – The finding was repeated for the fiscal year ending June 30, 2018.

**MANAGEMENT COMMENTS FOR AUDIT**

SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA



DUGUID, GENTRY & ASSOCIATES, P.S.C.  
CERTIFIED PUBLIC ACCOUNTANTS

4443 CANTON PIKE  
HOPKINSVILLE, KY 42240

270.886.6355

November 13, 2018

Members of the Board of Education  
Graves County School District  
Mayfield, Kentucky

In planning and performing our audit of the financial statements of Graves County School District (the "District") for the year ended June 30, 2018, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2018, contains our report on the District's internal control. This letter does not affect our report dated November 13, 2018, on the financial statements of the Graves County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We performed a follow up on the prior year findings with the status of these findings on pages 102-105 of this report.

This report is intended solely for the information and use of the management, the members of the Graves County School District, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

**GRAVES COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**LOWES ELEMENTARY**

- I. **Condition** – F-SA-18, Donation Acceptance Form, was not properly completed.

**Recommendation** – F-SA-18, Donation Acceptance Form, should be properly completed stating the purpose of or any restriction on donation received.

**Response** – Donation form will be completed and filed with the receipt going forward.

**GRAVES COUNTY MIDDLE SCHOOL**

- I. **Condition** – F-SA-2B, Fundraiser Worksheet, was not properly completed for the yearbook ad fundraiser.

**Recommendation** – F-SA-2B, Fundraiser Worksheet, should be properly completed for every fundraiser.

**Response** – One receipt has not been received, worksheet will be completed when final receipt is received.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**CENTRAL ELEMENTARY**

- I. **Condition** – Form F-SA-6, Multiple Receipt Form, was not completed properly.

**Recommendation** – The Multiple Receipt form must be completed when teachers, sponsors, or students collect money, and students third grade and above must sign the Multiple Receipt Form.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

- II. **Condition** – Invoices were not cancelled with check number and date paid.

**Recommendation** – The check number and date paid should be noted on invoices when payment is made.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

- III. **Condition** – Transfer forms were not used and properly completed prior to transfer of funds.

**Recommendation** – Form F-SA-10, Transfer Form, should be used and properly completed prior to transfer of funds between activity accounts.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

**FANCY FARM ELEMENTARY**

- I. **Condition** – F-SA-18, Donation Acceptance Form, was not properly completed for items donated for fundraiser.

**Recommendation** – F-SA-18, Donation Acceptance Form, should be properly completed stating the purpose of or any restriction on donation received.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

**FARMINGTON ELEMENTARY**

- I. **Condition** – Cash balances on multiple months of bank reconciliation reports do not agree with monthly financial reports activity accounts total balances.

**Recommendation** – The Monthly/Annual Financial Report details each school activity account, beginning balances, receipts, expenditures and ending balances and should reconcile to the bank statement.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**FARMINGTON ELEMENTARY, continued**

- II. Condition** – Invoices were not cancelled with check number and date paid.

**Recommendation** – The check number and date paid should be noted on invoices when payment is made.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

**SEDALIA ELEMENTARY**

- I. Condition** – One receipt was issued for multiple receipt forms from 14 teachers.

**Recommendation** – A pre-numbered receipt should be issued to the payer immediately any time money is received.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

- II. Condition** – Purchase orders were dated after the invoice date.

**Recommendation** – Purchase orders should be completed and approved prior to placing the order for merchandise or services.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

**SYMSONIA ELEMENTARY**

- I. Condition** – F-SA-18, Donation Acceptance Form, was not properly completed when donations were received.

**Recommendation** – F-SA-18, Donation Acceptance Form, should be properly completed whenever cash or other items are donated to the school.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

- II. Condition** - Invoices were not cancelled with check number and date paid.

**Recommendation** – The check number and date paid should be noted on invoices when payment is made.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

**GRAVES COUNTY MIDDLE SCHOOL**

- I. Condition** – No purchase order completed for payments to sports officials.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**GRAVES COUNTY MIDDLE SCHOOL, continued**

**Recommendation** – If the individual game official's name is not known in advance, complete the purchase order in advance of the event with "to be determined" as the name of the vendor.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

- II. Condition** – F-SA-18, Donation Acceptance Form, was not properly completed for items donated for fundraiser.

**Recommendation** – F-SA-18, Donation Acceptance Form, should be properly completed stating the purpose of or any restriction on donation received.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

**GRAVES COUNTY HIGH SCHOOL**

- I. Condition** – 4 accounts had no activity during the preceding 12 months and are considered inactive.

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts funds should be transferred to the school activity general account and used for the general benefit of all students.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

- II. Condition** – \$1,500 cash change fund for athletic events was undeposited at year end and was not kept in a secure location.

**Recommendation** – The change fund money should be kept in a secure location between games and redeposited at the end of the season.

**Current Status** – The finding was not repeated for fiscal year June 30, 2018.

- III. Condition** – Checks were issued without properly approved purchase orders.

**Recommendation** – Purchase orders should be properly completed and approved by the sponsor and principal before payment is obligated.

**Current Status** – The finding was repeated for fiscal year June 30, 2018 and 2017.

**Response** – Training for staff will continue to properly complete purchase orders.

**GRAVES COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**GRAVES COUNTY HIGH SCHOOL, continued**

- IV. Condition** – Form F-SA-1, Requisition and Report of Ticket Sales, was not properly completed.

**Recommendation** – Form F-SA-1, Requisition and Report of Ticket Sales, is to be used and properly completed to report and reconcile the number of tickets sold and the funds collected.

**Current Status** – The finding was repeated for fiscal year June 30, 2018 and 2017.

**Response** – All violations under this area will be addressed by the Athletic Director and every teacher that will be working events. Training will be provided on the proper procedures of filling out this form.

- V. Condition** – Form F-SA-5, Inventory Control Worksheet, and Form F-SA-17, Sales from Concessions/Bookstore, were not properly completed for bookstore or concessions.

**Recommendation** – Any stocked items held for resale require the use and proper completion of the Inventory Control Worksheet detailing beginning and ending inventories, quantities, descriptions, values, units of measure and unit selling prices. Form F-SA-17, Sales from Concessions/Bookstore, is to be used each time money is collected from these activities and turned in with the money.

**Current Status** – The finding was repeated for fiscal year June 30, 2018 and 2017.

**Response** – The Bookstore will be trained on how to properly complete the Inventory Control Worksheet.

- VI. Condition** – Multiple Receipt Forms were not properly completed.

**Recommendation** – Multiple Receipt Form should have signatures of third grade and above students who remit money and should be properly completed.

**Current Status** This finding was not repeated for fiscal year June 30, 2018.